

## ***Caution:***

This revised version of Schedule U instructions was placed on the Internet on February 7, 2002. The previous version contained incorrect information for lines 9 and 25. The instruction for line 9 has been corrected to require any recycling surcharge computed for 2000 to be included when figuring “prior year tax.”

The example that is part of the line 25 instruction has been revised to reflect the fact that the due date of the third quarter installment was September 24, 2001, rather than September 17, 2001. Wisconsin followed the extended due date allowed by the IRS for this installment.

# INSTRUCTIONS FOR 2001 WISCONSIN SCHEDULE U

## Purpose of Schedule U

Use Schedule U to see if you owe interest for underpaying your estimated tax and, if you do, to figure the amount of interest you owe. It may be used by individuals, estates, and trusts (except trusts subject to the Wisconsin tax on unrelated business income must use Form 4U).

**Note** Unless indicated otherwise, "tax" includes alternative minimum tax and the recycling surcharge.

## Who Must Pay Underpayment Interest

If you did not pay enough estimated tax by any due date, or if you did not have enough Wisconsin income tax withheld, you may be charged interest on the underpayment. This is true even if you have a refund when you file your tax return. Underpayment interest is figured separately for each due date. Therefore, you may owe underpayment interest for an earlier payment due date, even if you pay enough tax later to make up the underpayment.

In general, you may owe underpayment interest for 2001 if you did not pay at least the smaller of 90% of your current year (2001) tax liability, or 100% of your prior year (2000) tax liability if you filed a 2000 return that covered a full 12 months. (The alternative to pay 100% of prior year tax liability does not apply to an estate or trust with taxable income of \$20,000 or more.)

## Exceptions

You will not have to pay underpayment interest if any one of the following applies:

(1) Your tax liability for 2000 was zero, you were a Wisconsin resident for that entire year, and your 2000 tax return was (or would have been had you been required to file) for a full 12 months. If you (and your spouse if filing a joint return) qualify for this exception, indicate this at the bottom of Schedule U, state the amount of your gross income for 2000, and don't complete the rest of Schedule U.

(2) The total tax shown on your 2001 return minus the amount of tax you paid through withholding is less than \$200. To determine whether you qualify for this exception, complete lines 1 - 8.

(3) The taxpayer is an estate or grantor trust funded on account of a decedent's death and the tax return is for a tax year ending before the date two years after the date of death. Write "deceased" and the date of death above line 1. Trusts must attach an explanation of how they qualify.

(4) Your gross income from farming or fishing during 2000 or 2001 is at least two-thirds of your total gross income and you file your 2001 Wisconsin return and pay the balance due on or before March 1, 2002. Write "exempt farmer" or "exempt fisher" above line 1 and do not complete the rest of Schedule U. (**Note** Total

gross income is the joint total gross income of a married couple filing a joint return.)

## Waiver of Underpayment Interest

If you have an underpayment on line 22 for any payment due date, the interest for that underpayment may be waived if:

- You underpaid the installment because of a casualty, disaster, or other unusual circumstance.
- In 2000 or 2001 you retired after age 62 or became disabled and your underpayment was due to reasonable cause. Retirement alone is not reasonable cause.
- You were on active duty with the United States armed forces and were stationed outside the continental United States.

To apply for a partial waiver, complete lines 1-10 and 18-31 of Schedule U, and write "Waiver" at the bottom of page 1. Attach an explanation of how you qualify for the waiver, and show how much of the underpayment interest should be waived.

If you are applying for a total waiver of underpayment interest, do not complete Schedule U. Instead, attach an explanation to your 2001 Wisconsin income tax return. The explanation should be titled "Application for Waiver of Interest on Underpayment of Estimated Tax." Also write "Waiver" at line 51 of Form 1, line 38 of Form 1A, or line 69 of Form 1NPR, or to the left of line 25 of Form 2.

## Part I – Required Annual Payment

**Complete lines 1-10 to figure your required annual payment.**

**Note** If you file an amended 2001 return, use the amounts shown on your amended return to figure your underpayment.

### Line 4

Fill in on line 4 the total of the following credits from your 2001 tax return:

- Earned income credit
- Farmland preservation credit
- Net income tax paid to another state
- Homestead credit
- Farmland tax relief credit
- Credit for repayment of income previously taxed

### Line 9

**Prior Year Tax** Figure your 2000 tax. Use the net tax from your 2000 return (line 31 of Form 1, line 23 of Form 1A, line 50 of Form 1NPR, or line 12 of Form 2), plus any recycling surcharge (from line 32 of Form 1, line 52 of Form 1NPR, or line 13 of Form 2), and less the same type of credits as listed above for line 4.

If your 2000 return was adjusted either by the department or by the filing of an amended return, use the adjusted amounts when determining your prior year tax.

**CAUTION** Do not complete line 9 if any one of the following applies. Instead, fill in the amount from line 6 on line 10.

- You did not file a return for 2000, or
- Your 2000 tax year was for less than 12 months, or
- The taxpayer is an estate or trust and has 2001 taxable income of \$20,000 or more.

**Filing Status Change** If you are filing a joint return for 2001, but you did not file a joint return for 2000, add the tax shown on your 2000 return to the tax shown on your spouse's 2000 return and fill in the total on line 9. If you filed a joint return for 2000 but you are not filing a joint return for 2001, your 2000 tax is your share of the tax on the joint return. To figure your share, first figure the tax both you and your spouse would have paid had you filed separate returns for 2000. Then multiply your joint tax liability by the following fraction:

$$\frac{\text{Your separate tax liability}}{\text{Both spouses' separate tax liabilities}}$$

### Line 10

If the amount on line 7 is equal to or more than the amount on line 10, do not complete the rest of Schedule U. You do not owe underpayment interest.

## Part II – Short Method

You may use the short method if:

- You made no Wisconsin estimated tax payments (or your only payments were withheld Wisconsin income tax), or
- You made estimated tax payments in four equal amounts on the due dates.

**Note** If any payment was made earlier than the due date, you may use the short method, but using it may cause you to pay more interest than the regular method. If the payment was only a few days early, the difference will generally be small.

Do not use the short method if:

- You made any of your estimated tax payments late, or
- You want to use the annualized income installment method to compute required installments, or
- You treat withholding as paid when it was actually withheld, instead of in four equal amounts, or
- You claim a waiver for any period.

If you can use the short method, complete lines 11-17 and do not complete the rest of Schedule U. Otherwise, go on to Part III.

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## Part III – Regular Method

Complete lines 18 - 31 to compute underpayment interest using the regular method.

### Line 18

**Required Installments** Divide the amount on line 10 by four (4) and fill in the result in each column.

### Exceptions

- If you did not receive your income evenly throughout the year, you may be able to lower the amount of your required installment for the due dates by using the annualized income installment method. See Part IV for further information.
- If your gross income from farming or fishing for 2000 or 2001 is at least two-thirds of your total gross income, fill in the amount from line 10 in the last column of line 18. Fill in -0- in the first three columns.

### Line 19

**Estimated Tax Paid** Fill in the estimated tax that you paid for each installment period. Do not fill in on line 19 any estimated tax payment made after January 16, 2002. Any payment made after January 16, 2002, and before April 15, 2002, should be entered on line 24 as a late payment. If you file a joint return, include the estimated tax payments of both you and your spouse.

**Exception** If you file your 2001 income tax return and pay the balance due by January 31, 2002, that payment will be accepted as your January 16 installment payment.

### Line 20

**Tax Withheld** You are considered to have paid one-fourth of any withheld Wisconsin income tax on each payment due date unless you can show otherwise. If your tax was not withheld evenly throughout the year, you may fill in the amounts actually withheld during each period.

### Line 22

**Underpayment** If line 22 is zero in all four columns, do not complete the rest of Schedule U. You do not have an underpayment. If there is any amount in any column of line 22, complete the rest of Part III.

### Line 24

**Carryback of Overpayment or Late Payment** Complete line 24 only if there is an overpayment on line 23. The overpayment may be carried back to the prior installment period and offset against the underpayment of that period. Any remaining excess may then be carried back to the next prior period, etc. **(Exception)** If you made an estimated tax payment after January 16, 2002, but before April 15, 2002, fill in the amount of that payment on line 24 in the January 16, 2002, column. However, do not fill in more than the amount on line 22. Any excess may be carried back to the next prior period, etc.)

**Example** The April 16 column on line 22 shows an underpayment of \$400. The June 15 column on line 23 shows an overpayment of \$300. The \$300 overpayment from the June 15 column would be filled in on line 24 in the April 16 column.

If you use overpayments from more than one installment period to offset an underpayment of one period, fill in separately on line 24 each carryback used to offset the underpayment.

### Line 25

**Carryforward of Overpayment** Any overpayment remaining after completing line 24 should be carried forward to the next period.

**Example** The April 16 column on line 22 shows an underpayment of \$500. The June 15 column on line 23 shows an overpayment of \$700. First, \$500 of the June 15 overpayment is carried back to the April 16 column on line 24. Since \$200 (\$700 – \$500) of the June 15 overpayment remains, that amount is carried forward to the September 24 column on line 25.

### Lines 27 through 31

Complete lines 27 - 31 to determine the amount of interest due on the underpayment. Only complete lines 27 and 29 when an overpayment or late payment is carried back on line 24. If you apply more than one payment to a given installment, attach a statement showing a separate computation for each payment.

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## Part IV – Annualized Income Installment Method Worksheet

If your income varied during the year, you may be able to lower or eliminate the underpayment interest for one or more installments by using the annualized income installment method.

Use the worksheet in Part IV to figure the amount to fill in on line 18 of Schedule U. Also write “AI” to the left of the first entry space on line 18. If you use the worksheet to figure the amount to enter in any column of line 18, you must use it to figure the amounts to enter in all four columns.

### Line 35

**Standard Deduction** Full-year Wisconsin residents, use the amount on line 34 to determine your standard deduction from the Standard Deduction Table on page 30 of the 2001 Form 1 instructions or page 16 of the 2001 Form 1A instructions. Nonresidents and part-year residents must prorate the standard deduction as follows: (1) Figure your standard deduction using your annualized federal adjusted gross income for the period and the Standard Deduction Table on page 32 of the 2001 Form 1NPR instructions, and (2) prorate by using the ratio of your annualized Wisconsin income to your annualized federal adjusted gross income. Estates and trusts, fill in -0- on this line.

**Exception** If you were required to use the Standard Deduction Worksheet for Dependents to figure your standard deduction on your Wisconsin return, use that same method here.

**Net Operating Loss** If you have a net operating loss (NOL) carryforward, fill in on line 35 the amount allowable for each period. Write “NOL” in the blank space to the right of line 35.

### Line 37

**Deduction for Exemptions** Full-year Wisconsin residents, fill in the deduction for exemptions from line 17a of your 2001 Form 1 or line 15a of your 2001 Form 1A. Nonresidents and part-year residents must prorate the deduction for exemptions as follows: (1) Fill in the deduction for exemptions from line 35a of your 2001 Form 1NPR, and (2) prorate by using the ratio of your annualized Wisconsin income to your annualized federal adjusted gross income. Estates and trusts, fill in -0- on this line.

### Line 39

**Tax** Use the tax table in the instructions for your 2001 Wisconsin tax form to compute the amount of tax to fill in on line 39.

**Exception** Nonresidents and part-year residents, use Schedule 1 – Tax Computation, on page 3 of Form 1NPR, to compute the amount of tax to fill in on line 39.

### Line 40

**Credits** Fill in the total credits from line 24 of your 2001 Form 1 or line 22 of your 2001 Form 1A in all four columns. Nonresidents and part-year residents must prorate the credits by multiplying the amount on line 40a of your 2001 Form 1NPR by the ratio of annualized Wisconsin income to annualized federal adjusted gross income and then add any armed forces member credit, working families tax credit, and historic rehabilitation credits.

Estates and trusts should fill in the amount of historic credits from line 7 of Form 2.

### Line 42

**Alternative Minimum Tax** Figure the alternative minimum tax on Schedule MT. Figure alternative minimum taxable income based on your income and deductions during the period shown in the column headings of the annualized income installment worksheet. Multiply your Wisconsin alternative minimum taxable income by the annualization amounts on line 33 of the worksheet before subtracting the alternative minimum tax exemption amounts.

### Line 46

**Recycling Surcharge** Figure your recycling surcharge based on your annualized business income for each period shown in the column headings of the worksheet. See the instructions for Form 1, 1NPR, or 2 for further information on the recycling surcharge.

### Line 48

**Other Credits** Fill in the total of your earned income credit, farmland preservation credit, homestead credit, tax paid to another state, farmland tax relief credit, and credit for repayment of income previously taxed, that is allowable on your 2001 return, in all four columns.